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TAGS: PGOV EFIN TU
SUBJECT: DESPITE ALLEGATIONS, MEDIA TAKEOVER PROBABLY NOT
POLITICAL

Classified By: Economic Counselor Tom Goldberger for reasons
1.4(b) and (d).

This cable was coordinated with Congen Istanbul.

¶1. (C) SUMMARY. The Turkish Savings Deposit Insurance Fund (SDIF) re-seized a major media group (including Sabah newspaper and ATV television) and other companies nominally belonging to businessman Turgay Ciner on April 1. The SDIF acted after it came to its attention in March that Ciner had entered into secret contractual agreements with the group's former owner, Dinc Bilgin. These contracts apparently gave Bilgin some ongoing control over the group despite it having been seized from him and auctioned following the 2002 collapse of Etibank, which he also owned. The contracts were not made known to the SDIF when the Fund sold the group by auction to Ciner in 2002, believing -- apparently wrongly --- that it was an unrelated party to Bilgin. The case illustrates the opaque web of connections between Turkey's big business establishment, the press, and the government. Predictably, opponents of the government and the AK Party have jumped on the seizure to make allegations of government interference in press matters. However, the SDIF has left in place the editorial staff at the seized businesses, including Sabah editor Fathi Altayli, who has been notably critical of the Government. SDIF also has a track record of holding media properties seized from the owners of failed banks without misusing them. SDIF and its Chairman, Ahmet Erturk, are widely respected by the IMF, World Bank, and other observers of Turkey's once-troubled banking sector as an efficient, effective means of cleaning up the sector. End summary.

Media Takeover

¶2. (U) On the evening of April 1 (reportedly timed to not disrupt the markets), officials of the Savings Deposit and Insurance Fund (SDIF, roughly equivalent to the Federal Deposit Insurance Corporation) swept into offices in Ankara, Istanbul, and Izmir, and took over operations of Ciner Group's media assets, Merkez Group and Dinc Bilgin's Medya Group. The takeover involves 63 companies, including Sabah newspaper, Takvim, Dunden Bugune Tercuman, ATV television, Kanal 1, Aktuel weekly, and Merkez Reklam advertising. SDIF said it acted because of secret agreements signed by the current owner, Turgay Ciner, and the previous one, Dinc Bilgin, who lost his media assets to the SDIF after the failure of Bilgin's Etibank. In other words, SDIF asserts it is justified in taking over these companies from Ciner because Bilgin fraudulently and secretly violated agreements

with SDIF and retained a degree of control and ownership.

Why the Deposit Insurance Fund is Controversial

¶3. (C) Following the 2001 banking collapse SDIF was given a mandate to resolve the assets of failed banks and recover as much as possible the \$50 billion plus bill to the taxpayer for bailing out the banking system. An independent regulator, its Chairman -- Ahmet Erturk -- was appointed by the current government in 2004. He is a prominent figure who is also reportedly close to Prime Minister Erdogan and Finance Minister Unakitan. Among his many successes was resolving the 2003 collapse of Imar Bank following a colossal \$6 billion fraud by the bank's owners, the Uzan family. He reached favorable agreements with the Uzan's many creditors, including a an agreement that enabled Motorola to recoup approximately \$910 billion of the \$2 billion owed by the Uzan family when TMSF sold Telsim to Vodafone.

¶4. (C) In doing his job, Erturk has angered many business insiders from Istanbul's traditional big business community, many of whom thrived through opaque dealings with other companies and corrupt government officials. In many cases, Erturk used extraordinary powers under Turkey's banking laws because he believed -- with reason -- that the judiciary was part of the nexus of corruption. Erturk's enemies have seized on his connections to the AKP to accuse him of going after them for political reasons. Some failed bank owners, such as the Suzers, even made these allegations despite their bank having been taken over prior to Erturk or the AK Party coming to power.

Allegations that the Takeover is Political

¶5. (C) Ironically, Erturk claims that the secret agreements were brought to his attention only last month by Bilgin himself. In press interviews, Erturk says he consulted with Prime Minister Erdogan, Deputy Prime Minister Abdullatif Sener and Finance Minister Unakitan, who advised him that he should act in accordance with the law.

¶6. (C) It is commonly perceived by the public that the government has been displeased with Sabah newspaper's reporting. Media reports have claimed that the Prime Ministry's press center prepares monthly media analysis reports for the PM and that these reports have observed an increase in "negative trends" at Sabah. Yet, the SDIF has left key Sabah editors, including editor-in-chief Altayli, in place. The SDIF did not interfere in the former Uzan media properties' editorials during the period of SDIF control. Moreover, the Merkez Group is composed of over 60 companies, many outside the media sector.

COMMENT

¶7. (C) As the details of the seizure story emerge, the legal basis for the SDIF's action is becoming clear. However some observers will undoubtedly continue to allege an AKP clampdown on free press. For example, even AKP-ally Yeni Safak newspaper reports that close friends of Ciner claim he says, "They have silenced us before the presidential election." Nationalist Action Party (MHP) deputy chairman Oktay Vural opportunistically described the takeover as a crime against democracy. True Path Party (DYP) leader Mehmet Agar called for SDIF to sell the properties as soon as possible before the November general elections, while Democratic Left Party (DSP) leader Zeki Sezer observed that "government pressure should be questioned." The response to this decision by the SDIF vividly illustrates the tension beneath the surface as Turkey's election season proceeds.

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